



The self government's asset, incomes and its management, the resources of the areal-development-region –the separate regulation of the two regional unit- part II. The possibilities of the reform.

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The reform process of public administration have to be continued on the basis of the region-system – and the two structures have to exist together and cooperate with each other. Regional self-governments and counties can exist in line with each other. The basic tasks and authorities of regional self-governments has to be declared in the Constitution. Regional self-governments have to possess the legislative authority, which would be similar to the county self-government's competence, which would be similar to the county self-government's decree-constitutional competence. Political basis is needed to it at local, county and national levels.

The regulation has to consider, that the modern european regionalization was directed by the ethnic-historical reasons, but also the intetion to balance the economic inequalities. The territorial and economic development have to indicate the main line of the hungarian region's activity. The county level would not mean self-governance any more –but the institutions of the territorial development has to be established also at the county level.

The established and direct elected regional self-governments would take over development tasks from the central government, from government offices and from de-concentrated organs, breaking the practice, in which the working out of programmes and the distribution of development resources depend on the central state-apparatus.

Keywords: sources of the "mid-level", constitutional regulation, reform proposals, management's revision, county level vs. regional self-governments

1 Introduction. Sources of the „mid-level”

The first part of the study: *The self government's asset, incomes and its management, the resources of the areal-development region* put down , that the regional level in Hungary consist of constitutional county self-government (areal, mid-level self-government), of areal-development planning-statistical region (public administrative organization structure), of the regional-development council and of the county areal-development council.

Furthermore, areal organization, which provides areal development: is areal-development self-governmental association, the small-areal development council and

the Areal Development Council (areal-development organization structure)–the sources and the management are variously defined by several legal regulations.

We can not even speak about regional self-governments, because a precondition would be necessary: the constitutional regulation of the state-arrangement –but until now there was made only a propose of an act and a constitutional modification and it remained in the phasis of proposal.

The present constitutional mid-level is the county self-government. The regional self governments should have such economic basis, which connects to real, definitive tasks. If the Parliament would strengthen the county self-governement, the aim would be the same: real tasks, real management. In any version will become embodied the strong areal self-government –its legal basis, its organization, its operational guarantees and financial basis have to be stated in the Constitution.

The present system is layed down right after the hungarian political change of regime (1989). The Act of the Local Self Governments was adopted in 1990 and the self-governmental system alternated the hungarian council system, which was a very centralized system and had a strong county-council with supervisory and distributive function. In 1990 the legislatives decided to keep the mid level –in the form of county self-government- with less authority and task („floating” county). The Act of the Local Self Government can be changed with qualified majority. After six years, in 1996 the legislatives adopted the Act of The Areal-Development and Areal-Organization, which had two significant changes, in 1999 and in 2004. This act can be changed with simple parliamentary majority. The regional science has twenty years past in Hungary.¹

In case of regional self-government the following constitutional guarantees would be important:

- the regional self-government –in the scope of act- manages independently;

the regional self-government:

- practises the owner's rights according to the self-governemnt's property;
- undertakes for its individual responsibility;
- have right for taxation;
- is entitled for individual incomes –according to its legally stated tasks;
- is granted state-support –in proportion to its tasks.

Table 1. secures the sources, which can belong to the so-called mid-level in Hungary. Under mid-level we have to mean in the following the self-governmental unit and also the areal-development unit.

The working organizations/secretariats developed next to the county development regions – contrary to the regional development agencies, which work uniformly as public utility company – work in a different organizational structure. It is not clear

1 János Rechnitzer-Imre Lengyel: The Two Decades of the Regional Science In Hungary. Academic Publisher. Budapest, 2009.

what kind of contractual connection and calculable financial security the task execution of the working-organs functioning next to the councils have got.

Table 1.
Mid-level, sources

<p><i>7 areal-development regions</i></p> <p>Western-Transdanubia Central-Transdanubia Southern-Transdanubia Central-Hungary Northern-Hungary Northern-Plain Southern-Plain <i>Financial resources in the areal-development: Tft.² 20-21.§</i></p>	<p><i>19 county+Budapest</i> (19 county self-government+ capital self-government)</p> <p>Own budget, independent management.</p> <p>The areal-development tasks of the county self-government: a Tft. 11.§.</p>
<p><i>7 regional development councils</i></p> <p>Tft. 16.§ (4) The financial funds for functioning of the regional development council ensure: -the budgetary contribution, the resources of winning competitions and the payments of the organizations, which have right to vote in the regional development council. The regional development council can define payment duties in its operational regulation – the council decides with decision. If this payment is cancelled, the council can appeal to the state tax authority, to recover the debt, like taxes. Tft. 17.§ (2) d.) The regional development council accepts a financial plan for the realization of the development programmes, makes a proposal for the composition of the national (local, areal, central), communal and other international sources; e.) can collect sources for its operation and for the realization of development programmes f.) disposes over the above-mentioned sources and over other sources fixed in individually legal rules. Tft. authorizes the regional development council with several financing tasks-17.§ (3)</p>	<p><i>County areal development councils,</i></p> <p>Which coordinates –above the areal-development tasks of the county self-government-in the territory of the county the development ideas of the government, of the small-area development councils, of the self-governments and of the economic organizations. The 13.§ (1) e.) of Tft. states, that it construes a financial plan for realization of the county development programmes; h.) states its budget, arranges its execution, can collect sources to the functioning of the council; (3) The county areal-development council decides about the investment of the amounts in the competition system and about the realization of the developments.</p>
<p><i>7 regional development agencies</i></p> <p>Tft. 16.§ (2) 2. mondat- the regional development council founds a public utility company for the preparation of development decisions according to the realization of the region's development programme.</p>	

What should be the final aim? In my opinion the final aim is correctly defined by the national areal-development conception (OTK)³, which declares, that the aim of

² Act of The Areal-Development and Areal-Organization 1996:XXI.

³ National Areal-development Conception, 97/2005 Parliament Decision

Hungary's regional future is the establishment of a harmonious and supportable social-economic-environmental spatial structure, which organizes itself for the local conditions, which have own aspect and identity and which fits in the European space organic and efficient and includes not any significant regional inequalities for the society with regard to the important public services and life circumstances.

The following reform proposals can contribute to the realization of this aim.

2 The management of self-governments – finance⁴

The present system of the self-government's finance was settled in the years 1990-1991. The previous expense-oriented finance – which was the characteristics of the council was changed with the source-oriented finance. The self-governments partly produce the resource for the tasks independently, partly – and this is the higher degree – they are supported by the central budget. The source-oriented regulation system divides the responsibility of the demands supply among the state and local organizations. At the same time it produces the income interest, which increases the local incomes and which makes possible to increase the expenses and not the reduction of the central support. It is important to emphasize, that the self-governmental finance has source-distributing and not task-financing role.

The source-oriented regulation made a gradual development and change in the previous years. It had the main aim, that regulation could contribute to the finance of the obligatory state tasks and increase the normativity. Other important aspect of the regulation's reform, that for the reduction of increasing income differences of self-governments – in the name of solidarity – it could make stronger the regional balance units, and provide always a wider space for decentralization of decision authorities.

It has to be emphasized that for the more profitable, economical and efficient task supply it is needed to encourage local self-governments to associate with each other.

3 Sources of self-governmental tasks⁵

One characteristics of the resource-oriented finance – as mentioned already above – in the resource-allocation is the „more-channel” resource distribution. The common structure of central budget contributions and the individual incomes ensures, that the financial fund for the regulated tasks would be available.

4 Keynote material of directions the local self-government's structure. Ministry of Self-governments and Areal Development 2007, Budapest p. 9-11.

5 Keynote material of directions the local self-government's structure. Ministry of Self-governments and Areal Development 2007 p. 24-27.

Table 2.⁶
Incomes of local self-governments million -HUF

Incomes	Accomplishment in 2007.
Operational institutional incomes	291.788,5
Incomes of institutional activities	208450,6
Interest incomes	19449,4
VAT	63888,5
Own current incomes:	913.697,5
Fees	58539,8
Local taxes	505266,9
Shares, concession fees	18300,3
Other special incomes, fines	39802,0
Transferred incomes:	556.993,3
Personal income-tax	494276,2
Vehicle-tax	62432,1
Luxury-tax	134,4
Tenement-tax of land (soil)	150,6
Aggregation and capital incomes:	291.334,0
Tangible assets, sales of land and immaterial goods, other special incomes	91991,1
Shares, sales of shares	23496,3
Incomes from company's sales and from privatization	479,1
Aggregation incomes in the public finance	115804,8
Aggregation incomes beyond the public finance	40829,4
Liquid assets transferred from EU	18773,3
State contributions and assistances:	860.326,5
Normative state contributions	510805,4
Normative, conditioned assistances	61153,9
Assistances for theaters	10810,0
Complementary assistances for conservation of local self governments' operability	23529,6
Other assistances	133711,8
Recipient and objective assistances	64367,4
Vis maior and development assistances	9857,7
Vis maior reserve	771,8
Budapest 4th underground line 1st phase	35648,2
Social children dining	1059,1
Assistance of the most disadvantageous small areas	5220,1
Personal income tax supplement	613,8
Transfers in the public finance:	426.560,3
Transferred liquid assets from the Health Insurance Fund	372266,6
Transferred liquid assets from separated financial funds	14001,4
Transferred liquid assets from budgetary institutions	30984,9
Budgetary supplements, refunds	9307,4

⁶ Source: Ministry of Finance – through the home page of Ministry of Local Government

The sources of the local self-governments from the central budgetary connections includes the passed personal income tax and the state subsidy and state contribution.

The local self governments can be shared from the personal income tax from more channels: one part of it stays in the residence and the other part will be built up to the normative assistances, otherwise it will be allocated for the counties.

The share from the personal income tax of the self governments increased between 1996-1998 to 40% (from the previous 35%), this degree has not changed from this period. But in 2007 – from the previous 10% – decreased to 8% the proportion of the residence part; the source, which liberate from the proportion-postponement gets back as normative assistance to the self-governments, namely it draws more to those, who effectively perform the tasks.

The sources of the central budget reach the self-governments by several legal titles:

— The greatest share from the self-governments' incomes of the central budget connections are the normative state contributions and assistances, which are determined proportionally with the settlement's inhabitants, with certain age-categories and provided persons of social/health institutions and other indexes. These contributions are due to the self-governments „sui generis”, and – though they are connected to tasks – the self-governments have no obligation of use;

— The normative, defined use assistances can be employed by the self-governments also normative, but they have obligation of use. These are additional assistances connected to some public educational and social tasks, for example the local self-government's professional fire-department;

— Centralized provisions help for the realization of development conceptions and for the finance of some operative expenses. These are due to the self-governments with obligation of use, usually in way of competition;

— In the present system of the self-governmental finance the more-aimed small-areal associations get a distinguished role on behalf of the more efficient and higher-standard supply of public services for the population. The essence of the small-areal cooperation that they supply those community services, which are not assured in all settlements of the country at an efficient level in the future have to be supplied in the scope of more-aimed small-areal associations;

— The assistances which assure the operativeness of self-governments have „source-equalization” role:

(1) an assistance, called „ÖNHIKI” helps the self-governments, -which operation can not be assured by the expected careful management- since 1993,

(2) Act of the local self-governments' debts settlement's procedure 1996:XXV. makes possible the reparation of self-government's solvency and the continuous performance of the local self-government's obligatory tasks.

(3) the third element of assistances for operationability-protection the extraordinary assistance of unoperationable self-governments, which is included in the budget from 2000. The aim of the assistance to manage such individual operational problems, which can not be managed in the framework of other systems.

Structural problems which are present in the self-governmental sub-system have an effect on the finance system too. Because of the frittered settlement structure, the wide task and competence and the obligation of sectoral laws, the finance system became complicated.

4 Questions of finance and management

- a) **Strong self-governmental mid-level (region) can be established only if it has suitable management conditions and autonomy.**

The strong self-governmental mid-level is imaginable by the establishment of the regional self-governments. If these self-governments come into existence, the conditions have to be created for the management:

- The required quote of individual income possibilities have to be provided (for example by sharing from local taxes);
- With full knowledge of its task and authority the assistance of central budget has to be established;
- They can get source-distributive task (it can be true both for the development and operative sources).

- b) **The operational conditions of obligatory small-areal associations have to be created in the same way as the regional self-governments.**

The creation of obligatory small-areal associations need a qualified majority -as the creation of regional self-governments. As these associations come into existence, tasks can be settled to this level and the conditions for that have to be provided:

- Required individual income possibilities have to be provided also for these associations (for example by sharing from local taxes);
- At settlement level remains a few, first of all settlement-operational tasks. To supplement those tasks can happen through a normative, connected to the the number of population – so the majority of sources can be rearranged to the small-areal associations;
- The finance in the small-areal level can be solved on the basis of small-areal characteristics (population, territory, 0-18, 60- age-group of population etc.) with establishing one or two global normatives and the obligatory tasks have to be determined also according to this (for example, it does not need an extra regulation, that the social tasks have to be supplied in all small-area on the basis of determined conditions, but it have to be offeres a „menu” of social provisions).

Without qualified majority, the only conception is the further strenghtening of more-aimed small-areal associations. But in the finance it has got a limit: the sources –as it is included in the Convergence Programme- needed to the increase of normatives, which encourage the small-areal join forces, can be provided from the present normativ state contributions and assistances with a rearrangement – namely without demand on surplus-assistance.

c) In harmony with the revision of the tasks and authorities the system of central budget assistances have to be reconstructed.

With the reconstruction of tasks and authorities it become possible to fulfil the expectations regarding the self-governmental finance, which declares the normativ state contributions and assistances:

- Its number should decrease,
- It would provide more effective the obligatory tasks-support,
- Its use should become stricter,
- The small-areal cooperation should be inspired more effective.

The fulfilment of these points if it gets a qualified majority Parliament decision can happen on the basis of the points above a.) and b.).

5 The revision of self-governmental management's control system is essential.

For appropriate revision of self-governmental management's control system is only possible by qualified parliament majority.

The financial, economic control of local self-governments presently happens according to these points:

- Control of the State Audit Office of Hungary,
- Through an auditor's assignment,
- Through the territorial directories of the State Audit Office of Hungary and the internal monitoring

In pursuance of the revision these items have to be considered:

- The enhancement of the present authorities of the State Audit Office of Hungary,
- The enhancement of the territorial organs of the State Audit Office of Hungary;
- Consideration of the obligatory audit;
- Reparation of the effectiveness of internal monitoring (settlement of publicity and personal responsibilities);
- Supervisory control through the administrative offices.

6 Conclusions

In the NUTS-system we equally need the 2. and 3. levels, so both the region and county. The two levels do not exclude each other: rational and professional division of labour is needed between the two territorial level, putting forward, that a decision is needed to declare and make final that region has got the priority.

The reform process of public administration have to be continued on the basis of the region-system – and the two structures have to exist together and cooperate with each other. Regional self-governments and counties can exist in line with each other. The basic tasks and authorities of regional self-governments has to be declared in the Constitution. Regional self-governments have to possess the legislative authority, which would be similar to the county self-government's competence, which would be similar to the county self-government's decree-constitutional competence. Political basis is needed to it at local, county and national levels. The territorial development would be one of the essential tasks of the regional self-governments, which is separated from the public administration from 1996.

The regulation has to consider, that the modern european regionalization was directed by the ethnic-historical reasons, but also the intetion to balance the economic inequalities. The territorial and economic development have to indicate the main line of the hungarian region's activity.

The county level would not mean self-governance any more –but the institutions of the territorial development has to be established also at the county level.

The developing institutional order has got the principles: subsidiarity, partnership and cooperation. These principles would determine the relation of the regional self-governments to the counties and to the local self-governments. Subsidiarity would result in a two-way task at the formation of the hungarian regional self-governments. On the one hand the region takes over those tasks, which can not the local self-governments obliged to realise them, on the other hand the regions can hand over tasks to the local self-governments.

The established and direct elected regional self-governments would take over development tasks from the central government, from government offices and from de-concentrated organs, breaking the practice, in which the working out of programmes and the distribution of development resources depend on the central state-apparatus.

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